GOVERNMENT OF INDIA
FINANCE AND COMPANY AFFAIRS
LOK SABHA

UNSTARRED QUESTION NO:696
ANSWERED ON:22.11.2002
RECOMMENDATIONS OF DELISTING PANEL
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Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether the SEBI approved the delisting panel`s recommendations to set up a central listing authority;

(b) if so, the details thereof;

(c) the details of other recommendations made by the delisting panel; and

(d) the action taken by the SEBI on each recommendations?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE & COMPANY AFFAIRS (SHRI ANANDRAO V. ADSUL)

(a) & (b) The Securities and Exchange Board of India(SEBI) has informed that the SEBI board has considered and accepted the recommendations of the delisting committee to set up the central listing authority. The details of the recommendations to set up a central listing authority are as under:

A) To bring about the uniformity in the exercise of due diligence in scrutinizing listing applications, a separate agency be formed designated as the Central Listing Authority (CLA);

• The initial role of the CLA may be confined to scrutinizing listing agreement and reviewing the provisions of listing agreement from time to time;

• It would be up to SEBI to expand the scope of CLA to include monitoring and compliance with the listing agreement at later date;

• The CLA will be suitably empowered by SEBI;

• A company seeking listing of fresh securities would make an application in a prescribed format listing first to the CLA. The CLA should give its opinion within 30 days after submission of application. After receiving the approval of CLA, the company would be free to apply to any stock exchange along with the letter of approval of CLA. The stock exchange would independently decide on whether to list the security or not with reference to its listing criteria and in case it does not list the security, it shall give its reasons in writing. The stock exchange shall convey its decision within the time frame already prescribed under the applicable regulations. The decision of the stock exchange would be appeal able to the securities appellate tribunal;

• The members of the CLA should not exceed 11 and CLA may be chosen from among the judiciary, lawyers, and people having expertise in securities market regulation, financial experts, academicians and investor associations. 4 members of the CLA should always be drawn from the stock exchanges who would provide the CLA with expertise and experience in the area of scrutinizing applications for listing;

• The quorum will be of 4 members. The representative of the stock exchanges where listing may be sought by the company, would not form a part of quorum of the CLA. Of the members present at the time of granting approval to a listing application, 50% should be non-stock exchange members;

• SEBI would draw up a panel of names for members of the CLA;

• The term of a member shall be for a period of 3 years unless the member has been found unfit for any reason or the member has himself expressed his desire to discontinue. No member may be given re-appointment after two terms of 3 years each;

• to enable the CLA to function efficiently, it should have a permanent secretariat which may be provided by the stock exchanges / SEBI who may depute personnel to the CLA to enable CLA to analyze and scrutinize applications, convene meetings etc;

• the CLA will be accountable to SEBI and shall provide a quarterly report on their activities in a specified format to SEBI;

• SEBI would periodically review the performance and working of CLA based on the reports and may reconstitute the CLA as and when necessary.

B. Reinstatement of delisted securities should be permitted by the stock exchanges with a cooling period of 2 years. It would be based on the respective norms/criteria for listing at the time of making the application for listing and the application will be initially scrutinized by the CLA;

(c) Some of the other recommendations of the Committee are as follows :-

• There should be no prohibition per se against delisting securities provided that the securities of company have been listed for a minimum period of 3 years on any stock exchange;

• There should not be any selective restriction or discrimination against any class of companies for delisting. However, the regulatory framework may need to be strengthened to prevent any misuse by the companies and to ensure that investors` interests are protected at all times;

• Any acquisition of shares or scheme or arrangement, by whatever name referred to, which may result in delisting of securities shall be in compliance with the relevant provisions under any SEBI regulation, circular or guideline and theprovisions of the listing agreement so as to ensure protection of investors` interest;

• SEBI should clarify once again that no company could use the buy-back provision to delist the company;

• There should be comprehensive provisions which should also include procedures governing the entire subject of delisting of securities of companies, and should cover cases in which companies on their own seek delisting of their securities from all or some of the stock exchanges, as well as those where the stock exchanges can compulsorily delist the securities of a company;

• The comprehensive provisions for delisting will be applicable in cases where a person in control of the management is seeking to consolidate his holdings in a company, in a manner which would result in the company being delisted, or in cases where as a result of a takeover process, the public (non promoter holding) falls below the prescribed threshold;

• The exit price for delisting should be in accordance with the book building process;

• A company which is listed on any stock exchange may be allowed to delist from that stock exchange without an exit offer being made to its shareholders provided that the securities of the company are listed on BSE or NSE whichhave nationwide reach. as the securities of the company would continue to be listed on stock exchanges which have nation wide reach, investors` interests would not be jeopardized and hence no additional exit route need be separately provided to them;

• In all other cases, viz. when a company which is listed on any stock exchange or stock exchanges other than BSE or NSE seeks delisting, an exit offer must be made to the shareholders in accordance with the book building process;

• There should not be any compulsion for the existing companies to remain listed on any stock exchange merely because it is a regional stock exchange and companies should have the freedom to list on a stock exchange of its choice;

• Even if the shares of a company are delisted, the fixed income securities may continue to remain listed on the stock exchange. If however a company has a convertible instrument outstanding, it should not be permitted to delist its equity shares till the exercise of the conversion options;

• Stock exchanges should be empowered to delist those companies which have been suspended for a minimum period of six months for non-compliance with the listing agreement;

(d) SEBI is in the process of issuing guidelines with respect to delisting of shares and central listing authority.